



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

FILED
8-22-16
04:59 PM

Order Instituting Rulemaking Regarding Policies,) Procedures and Rules for Development of) Distribution Resources Plans Pursuant to Public) Utilities Code Section 769.) <hr/> And Related Matters) <hr/> (NOT CONSOLIDATED) <hr/> In the Matter of the Application of) PacifiCorp (U901E) Setting Forth its) Distribution Resource Plan Pursuant to) Public Utilities Code Section 769.) <hr/> And Related Matters) <hr/>	Rulemaking 14-08-013 (Filed August 14, 2014) Application 15-07-002 Application 15-07-003 Application 15-07-006 Application 15-07-005 (Filed July 1, 2015) Application 15-07-007 Application 15-07-008
--	---

**COMMENTS ON TRACK 3 ISSUES
OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)**

Jonathan J. Newlander
Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, CA 92101
Phone: 858-654-1652
Fax: 619-699-5027
E-mail: jnewlander@semprautilities.com

August 22, 2016

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,)	
Procedures and Rules for Development of)	Rulemaking 14-08-013
Distribution Resources Plans Pursuant to Public)	(Filed August 14, 2014)
Utilities Code Section 769.)	
)	
And Related Matters)	Application 15-07-002
)	Application 15-07-003
)	Application 15-07-006
(NOT CONSOLIDATED)		
In the Matter of the Application of)	
PacifiCorp (U901E) Setting Forth its)	Application 15-07-005
Distribution Resource Plan Pursuant to)	(Filed July 1, 2015)
Public Utilities Code Section 769.)	
)	
And Related Matters)	Application 15-07-007
)	Application 15-07-008
)	

**COMMENTS ON TRACK 3 ISSUES
OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)**

Pursuant to *Assigned Commissioner’s Ruling on Track 3 Issues* (the “Ruling”), dated August 9, 2016, and Administrative Law Judge Robert M. Mason III’s *E Mail Ruling Granting Request for Extension to File Comments on Ruling on Track 3 Issues*, dated August 12, 2016, San Diego Gas & Electric Company (“SDG&E”) respectfully submits its comments in response to the Ruling.

I. COMMENTS

SDG&E believes that the Ruling represents a thoughtful road map of work to be done in Phase 3 of the Distribution Resources Plan (“DRP”) proceedings. SDG&E agrees that close coordination between the DRP and Integrated Distributed Energy Resources (“IDER”) proceedings is critically important to the successful integration of Distributed Energy Resources (“DER”). SDG&E believes there is the potential for overlapping issues and work streams

between these proceedings and therefore supports a clear and structured format to deal with this possibility. Given the time that has elapsed from the IOUs original DRP filing and the formation of the IDER proceeding, SDG&E believes it is appropriate for the Commission to address the DRP Track 3 issues categorized into sub-tracks in the Ruling, and, to the extent there remain additional issues that need to be addressed, to clearly define which proceeding and when the remaining issues will be addressed.

As explained in the answers to the provided questions, SDG&E supports the formation of the three proposed sub-tracks and believes the Commission has correctly identified and categorized the most appropriate policy issues that should be resolved in the current DRP proceeding. SDG&E believes that Grid Modernization Investments are the foundation for enabling the integration of large amounts of DER, realizing customer benefits, and assisting California in achieving its policy goals. Such investments will allow more DER to interconnect to the system, improve safety and reliability by installing advanced protection and automation systems, provide enhanced forecasting and planning tools, and provide SDG&E's distribution system operators with increased control and visibility of DERs. Accurate load and DER adoption forecasts are also a priority and coordination between the various proceedings and planning processes will allow the utilities to optimize their resource and infrastructure portfolios.

More generally, SDG&E continues to believe, as it has stated previously, that the consideration of issues related to DER-related reforms should be phased, in a manner that is analogous to the "walk, jog, run" concept developed in the More Than Smart working group, given the host of safety and operational issues with the integration of DERs on the electrical distribution system. In that regard, recent efforts by the California investor-owned utilities ("IOUs") have included engagement with stakeholders to discuss refinements and possible

improvements to the Integration Capacity Analysis (“ICA”) and the Locational Net Benefits Analysis (“LNBA”), and beginning to perform demonstration projects to validate those methodologies. Results of Demonstration Projects A and B are expected by the end of the year.

SDG&E believes that the necessary next step in the DRP proceeding is for the Commission to authorize the utilities to begin their field demonstration projects, known as Demonstration Projects C, D, and E. The benefits of performing field demonstration projects will be multifold. First, these projects will offer practical experience that may yield further enhancements to the LNBA, as well as verify its application. Second, the IOUs will gain experience and demonstrate safe and reliable distribution operations in a high DER penetration environment. Third, we will be able to identify benefits and challenges associated with the operation of a micro-grid, based on real-world operating experience. Consistent with the approach set forth in the DRP Guidance,¹ SDG&E believes that completing these demonstrations projects is foundational to acquiring the information needed to ensure the continued safe, reliable operation of the electric grid, at reasonable costs, and there should be no shortcuts to doing the necessary work of gathering data and internalizing the lessons learned.

SDG&E suggests, however, that a near-term opportunity exists to coordinate certain matters being addressed in the IDER and DRP proceedings in a manner that furthers the goals of these proceedings. From SDG&E’s work in the IDER proceeding, particularly in the development of the Competitive Solicitation Framework Working Group Final Report (“Final Report”), SDG&E believes that elements of the competitive solicitation framework described in

¹ The DRP Guidance document was attached to the Assigned Commissioner Ruling issued in R.14-08-013 on February 6, 2015.

the Final Report can be used as part of the process to competitively procure the DER needed by SDG&E to perform field demonstrations C and D.²

At a high level, SDG&E supports a process where the IOUs determine distribution “needs”, review the identified needs with non-market based participants in a newly formed Distribution Planning Advisory Group (“DPAG”), including an independent professional engineer, hold a competitive solicitation to acquire the “Least Cost/Best Fit” resources based on the valuation methods identified, and use a *pro forma* contract to acquire the resources. SDG&E believes that a financial “incentive” is not necessary to test a DER procurement process, but rather that a coordinated effort between the DRP and IDER proceedings can test the solicitation process using the DER required to perform the DRP Demonstration Projects C and D. There is currently not a mechanism in place for SDG&E to procure DER needed for these demonstration projects so using the IDER process outlined above can work to inform both proceedings. SDG&E suggests not including the DPAG element in the solicitation process to be used for the demonstration projects because the resource requirements would not be based on a “needs” analysis in the conventional sense, but rather defined in a DRP ruling.³

Finally, SDG&E notes the considerable coordination challenges as this DER integration effort moves forward. There are currently four processes that govern the deployment of system and distribution level resource and infrastructure. The Integrated Energy Policy Report (“IEPR”) process led by the California Energy Commission (“CEC”) determines system level load and DER forecasts. The Long Term Procurement Process (“LTPP”), led by the California Public Utilities Commission (“CPUC”), authorizes utility system level generation procurement. And,

² SDG&E supports many of the recommendations contained in the Final Report, with a few comments that will be concurrently submitted in the IDER proceeding.

³ SDG&E supports forming the DPAG to assist with next year’s Annual Distribution Planning Process.

the Transmission and Distribution Planning processes, led, respectively, by the California Independent System Operator Corporation and each utility, determine system and distribution level infrastructure needs to safely, reliably and cost-effectively serve our customers.

Coordination between all four of these processes is essential to ensuring that customers have a safe, reliable, efficient electric grid on which they can rely, and at reasonable costs. In this vein, SDG&E believes it is important for the Commission to provide certainty of cost recovery within General Rate Cases for DER deferral opportunities.

II. RESPONSES TO QUESTIONS POSED IN THE RULING

The Ruling (at pp. 6-7) requested that parties address three questions. SDG&E's responses to those questions are below.

A. Should items 3, 8, 9, 15, 18, 20, 21, and 22 from the list in the Scoping Memo be grouped into the three sub-tracks described above? Should any other items from the Scoping Memo list be included in one of the three sub-tracks?

SDG&E believes that items 3, 8, 9, 15, 18, 20, 21 and 22 are appropriately grouped in the 3 sub-tracks identified in the Ruling. SDG&E does not believe there are any other items that should be included in these sub-tracks.

SDG&E supports the Ruling's proposal to remove fourteen scoped policy issues. SDG&E believes that many of those policy issues either are being discussed in other proceedings or have been identified as issues that are within scope to be discussed in other proceedings. Additionally, for some of these policy issues currently scoped in this proceeding, there have not been any issues identified that need to be addressed. The following is provided to help inform stakeholders of the fora in which these removed policies are being or will be discussed.

1. Definition of distribution services that can be provided by distributed energy resources, to the extent these are not already addressed in Track 1 above related to the LNBA methodology.

Rationale: As directed by the March 24, 2016 ACR in the IDER proceeding, the CSFWG discussed and reported on defining the services to be bought and sold within the identified areas. The definitions should include details on the expected reliability and other performance requirements, as well as any constraints, not previously determined in the DRP proceeding, on how distributed energy resources can meet the identified need.

2. Competitive neutrality, grid neutrality, and third-party ownership of DERs.

Rationale: DER ownership has been discussed in the DRP Track 2 (DRP field demonstration projects) workshop and Evidentiary Hearings; The CSFWG discussed the importance of developing a DER technology neutral competitive solicitation process and identified neutrality as one of the 12 principles that may apply within the DER competitive solicitation process; Future discussion in the IDER proceeding will discuss neutrality pertaining to procuring DER via tariffs and incentives.

4. Control over dispatch of DERs.

Rationale: Roles and responsibilities associated dispatching DERs was discussed by and included in the CSFWG's Final Report as being a component of a DER's service performance requirements. Lessons learned as part of the DRP field demonstrations pertaining to monitoring and controlling DER will provide information to help inform policy issues; however, that data is expected to not be available for another 12-24 months.

5. The role of community choice aggregators (CCAs) and electric service providers and the utilities' responsibilities for competitive neutrality with respect to other wholesale electricity providers.

Rationale: Discussed by and included in the CSFWG's Final Report.

6. Utility role, business models, and financial interest with respect to DER deployment.

Rationale: Included in the IDER's revised scoping memo as a sourcing scoping issue.

7. Coordination with other agencies with respect to climate policy.

Rationale: Will be discussed within the broad context of the IRP proceeding.

10. Maximizing ratepayer benefits of DERs, both in terms of overall system cost (including generation, transmission, and distribution) and greenhouse gas (GHG) reductions.

Rationale: Cost-effective valuation of DER was identified as a component of the competitive solicitation framework proposed by the CSFWG; Locational net benefits of DER is being addressed in Track 1 of the DRP; Continued development of technology-neutral cost-effectiveness methods and protocols, *i.e.* the cost-effectiveness framework, is a scoping issue identified in the IDER revised scoping memo.

11. Value of DERs to customers.

Rationale: In part to be determined by individual customers based upon their qualitative and quantitative priorities; The continued development of technology-neutral cost-effectiveness methods and protocols, i.e. the cost-effectiveness framework, is a scoping issue identified in the IDER revised scoping memo.

12. Barriers to DER deployment that are safety or reliability related. Other general discussion of barriers will be deferred to the IDER rulemaking.

Rationale: Included as part of the CSFWG's discussions and recommendations on DER service performance requirements; The Rule 21 interconnection proceeding addressed safety and other technical barriers to interconnect DER.

13. DER deployment in disadvantaged communities.

Rationale: Discussions pertaining to community based DER and EV charging locations address many of these issues.

14. Accounting for the GHG reduction benefits of DERs.

Rationale: The overarching benefits associated with GHG reductions will be discussed within the IRP proceeding.

16. Establishment of safety standards

Rationale: Included as part of the CSFWG's discussions and recommendations on DER service performance requirements; The Rule 21 interconnection proceeding addressed safety and other technical barriers to interconnect DER.

17. Data access and confidentiality issues, to the extent they are not resolved in Track 1 with respect to the LNBA and Interconnection Agreement methodologies.

Rationale: Stakeholders during the last data access workshop (Track 1) suggested that the newly created LNBA and/or ICA working groups was the applicable forum to discuss data access issues; Data access was also a topic of the Smart Inverter Working Group (SIWG) phase 2 and phase 3 recommendations; Data access is also a topic in the current Demand Response proceeding – ref: the Direct Participation Enrollment Working Group.

19. Consideration of and need for optimized portfolios of DERs.

Rational: The submittal of DER portfolios was discussed and acknowledged as a viable bidding option as part of the CSFWG's Final Report; Optimal resource solutions will be addressed in the broader aspect of the IRP proceeding.

B. Should any additional sub-track be established? If so, which of the items in the Scoping Memo list would be included? Provide a detailed justification of the need for the additional track, describing specifically what issues need to be addressed and why.

SDG&E believes the three sub-tracks proposed in the Ruling would capture all issues that are and should continue to be scoped as Phase 3 issues in this proceeding. Accordingly, SDG&E does not believe that an additional sub-track should be established.

C. Should the proceeding address three sub-tracks, and any additional sub-track you recommend, in any particular order? Provide your rationale for the recommended prioritization.

As stated, SDG&E believes the three sub-tracks are important and should run in parallel. However, SDG&E is sensitive to concerns about resource constraints that may frustrate pursuing all three sub-tracks in parallel. Accordingly, should the Assigned Commissioner find it advisable to prioritize sub-tracks, SDG&E recommends that the Grid Modernization sub-track be accorded highest priority, followed by the DER Adoption and Distribution Load Forecasting sub-track, and finally the Integration of DRP into Planning and Cost Recovery sub-track. SDG&E recommends this prioritization because Grid Modernization Investments provide an essential foundation to facilitate the safe and reliable operation of a distribution grid featuring high levels of DER penetration, and such investments are likely to take years to design and construct. SDG&E believes that load forecasting and coordination with the GRC, while not less important than Grid Modernization Investments, do not present the same timing concerns. In particular, there are tools and processes currently in place and these efforts will build upon and improve these existing processes. SDG&E also believes that a staggered schedule of addressing these issues may provide continuity, *i.e.*, because information from one sub-track may inform discussions in another sub-track, discussions and resolution in one sub-track do not need to conclude before discussions in another sub-track begin.

III. CONCLUSION

SDG&E believes that a clear and structured scope is needed for where and when policy, procurement, and other relevant topics will be considered by stakeholders, and believes, more generally, that a thoughtful approach to integrating DER that is based on demonstration and validation has the best chance to succeed in safely, reliably and affordably integrating DER on the distribution system. SDG&E suggests that the competitive solicitation process recommended in the IDER proceeding can be used to procure the DER required to complete the DRP field demonstration projects C and D, and doing so will help inform both proceedings. SDG&E supports the approach to Phase 3 issues described in the Ruling and appreciates the opportunity to submit the foregoing comments.

Respectfully submitted,

/s/ Jonathan J. Newlander

Jonathan J. Newlander
Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, CA 92101
Phone: 858-654-1652
Fax: 619-699-5027
E-mail: jnewlander@semprautilities.com

August 22, 2016